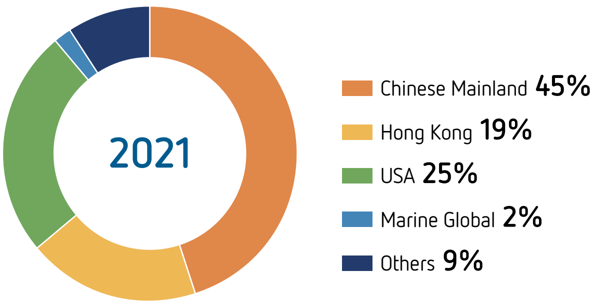
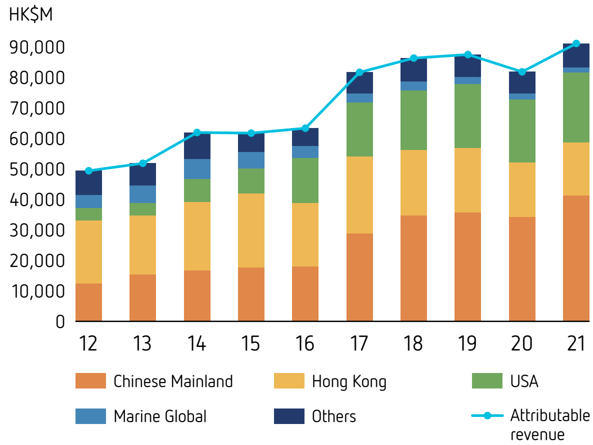
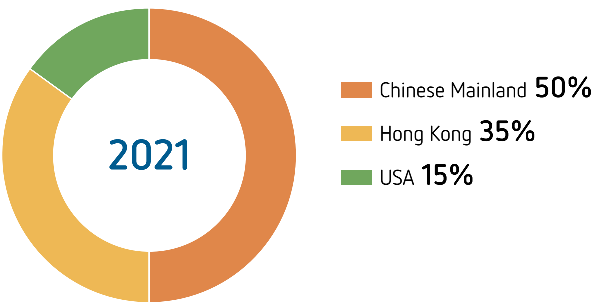
Attributable Revenue by Region[1]



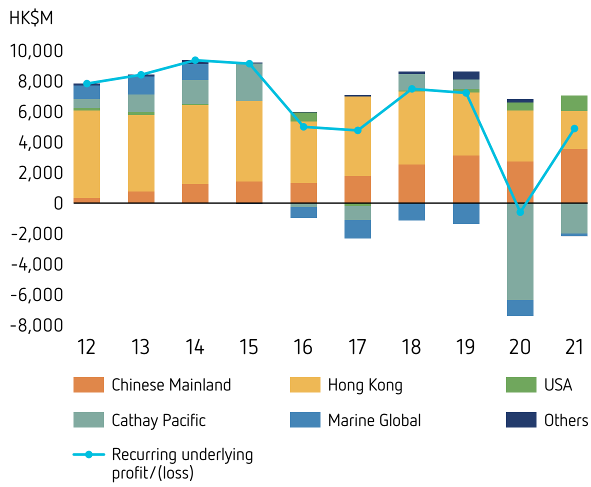
Attributable Revenue by Region[1]



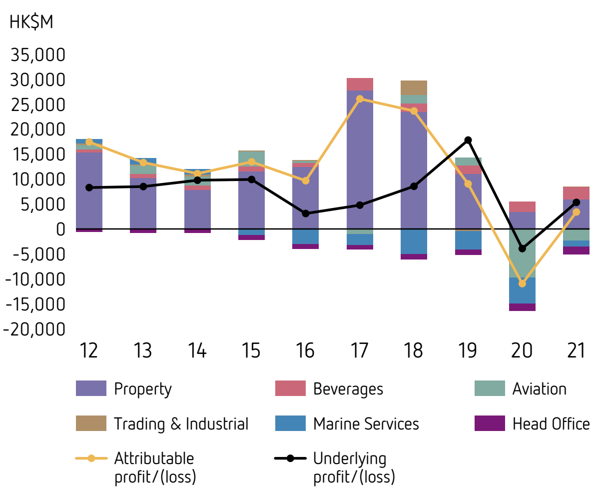
Recurring Underlying Profit/(Loss) by Region[2]



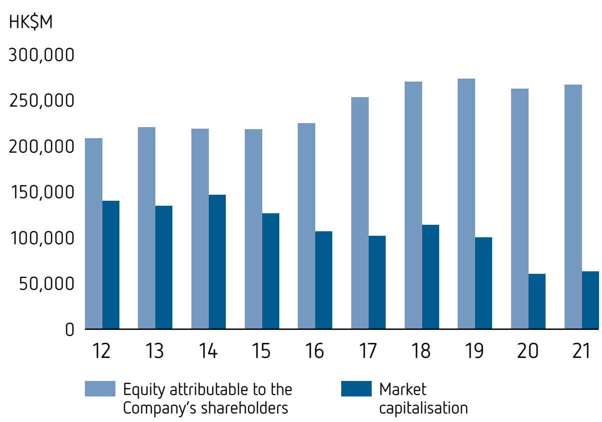
Recurring Underlying Profit/(Loss) by Region



Profit/(Loss) Attributable to the Company's Shareholders



Equity Attributable to the Company's Shareholders and Market Capitalisation at Year-end



Notes:
1. Includes joint ventures' attributable gross rental income of the Property Division.
2. Excludes Marine Global and Cathay Pacific.

FINANCE DIRECTOR'S STATEMENT

Results Summary

Swire Pacific performed well during 2021 despite the continuing impact of COVID-19. The recurring underlying profit for 2021, which disregards significant non-recurring items in both years, was HK$4,885 million, compared with a recurring underlying loss of HK$609 million in 2020. Most Divisions put in an improved performance during the year and our solid financial results demonstrated the resilience of our businesses.

The consolidated profit attributable to shareholders (including discontinued operations) for 2021 was HK$3,364 million, compared to a loss of HK$10,999 million in 2020. The underlying profit attributable to shareholders, which principally adjusts for changes in the value of investment properties, was HK$5,300 million, compared with a loss of HK$3,969 million in 2020. The improvement in the underlying results primarily reflects (i) a substantial reduction of losses (including a reduction of impairment charges) at Cathay Pacific and Swire Pacific Offshore, and (ii) a significant increase in the profits of Swire Coca-Cola. There was, however, a decrease in gains on disposal of assets in the Property Division.

The Property Division which is the major contributor to the Group's profit, continued to perform solidly during the year, particularly in the Chinese Mainland, demonstrating the Division's resilience amid challenging times. The recurring underlying profit from the Property Division in 2021 (which excludes gains from the sale of interests in investment properties of HK$1,959 million, compared with HK$4,584 million in 2020) was HK$5,824 million, compared with HK$5,834 million in 2020. This mainly reflected higher rental income from the Chinese Mainland and reduced losses in the hotel business, largely offset by lower retail rental income in Hong Kong and loss of rental income from Cityplaza One.

We continued to see strong growth momentum in our Beverages business throughout the year. Swire Coca-Cola reported a record profit of HK$2,549 million in 2021, 23% higher than in 2020. Revenue increased by 20% to HK$54,769 million. Volume increased by 8% to 1,890 million unit cases. Attributable profit increased in most regions. The Chinese Mainland market remained very dynamic with increased consumer demand met with excellent execution, digital innovation and improved product mix. The buoyant US market was driven by price increases and changes in product mix which were effective in supporting growth throughout the year. Revenue growth and operational efficiency was also fuelled by digital innovations. Swire Coca-Cola is expanding its product and package portfolio and investing in production assets, logistics infrastructure, merchandising equipment and digital capabilities.

The Aviation Division incurred a loss of HK$2,380 million in 2021, compared to a loss of HK$9,751 million in 2020.

The Cathay Pacific group substantially reduced losses in 2021 despite the ongoing COVID-19 impact, with the group reporting a profit in the second half of the year. This improved performance was driven by the cargo business, which performed exceptionally well, and good cost management, resulting in substantially reduced cash burn. Travel remained very challenging with aircrew quarantine and travel restrictions impacting passenger flight capacity substantially. The Cathay Pacific group's attributable loss on a 100% basis was HK$5,527 million in 2021 (2020: loss of HK$21,648 million). The loss for 2021 included impairment and related charges of HK$832 million, restructuring costs of HK$385 million, and a HK$210 million gain on the dilution of an associate interest.

The HAECO group reported an attributable profit of HK$394 million in 2021, compared with HK$96 million in 2020. Disregarding the impairment charges in both years, the recurring profit of the HAECO group increased by HK$46 million to HK$416 million in 2021. COVID-19 adversely affected demand for aircraft maintenance and repair services except base maintenance.

Dividends

A revised dividend policy was introduced in 2021. We target to deliver sustainable growth in dividends and to pay out not less than half of our recurring underlying profit (excluding our share of the results of Cathay Pacific, but including all dividends received from that company) by way of ordinary dividends over time.

The Directors have declared second interim dividends of HK$1.60 per 'A' share and HK$0.32 per 'B' share which, together with the first interim dividends paid in October 2021, amount to full year dividends of HK$2.60 per 'A' share and HK$0.52 per 'B' share. The second interim dividends will be paid on

6th May 2022 to shareholders registered at the close of business on the record date, being Friday, 8th April 2022. Shares of the Company will be traded ex-dividend as from Wednesday, 6th April 2022.

Implementing Our Aims

Our aims are to deliver sustainable growth in shareholder value, achieved through sound returns on equity over the long term, and to return value to shareholders through sustainable growth in ordinary dividends. Capital allocation, achieved by way both of investment and divestment, is central to the achievement of our aims.

We are focused on delivering our corporate strategy. We have strengthened our three core businesses, reinforced our assets, and paved the way for new opportunities.

We continue to invest in healthcare in the Chinese Mainland, through Swire Investments. We will no longer operate any marine services business with the disposal of our interest in Hongkong United Dockyards (HUD) and Swire Pacific Offshore.

Business Developments

Recycling of non-core assets has strengthened the financial position of Swire Properties, leaving the company well-positioned to execute a compelling growth strategy on an exciting pipeline of projects.

In the Chinese Mainland, Taikoo Li Qiantan in Shanghai, and Taikoo Li Sanlitun West (an extension to Taikoo Li Sanlitun) in Beijing were opened in September and December 2021, respectively. INDIGO Phase Two will be an office-led mixed-use development and is planned to be completed in two phases, in mid-2025 and 2026. In July 2021, Swire Properties formed a joint venture management company with Shanghai Jing'an Real Estate (Group) Co., Ltd., for the purpose of revitalising the historic Zhangyuan shikumen compound in the Jing'an district of Shanghai. In August 2021, Swire Properties entered into a cooperation agreement with the Chaoyang district government in Beijing and the Beijing Public Transport Corporation in relation to the transformation of a public transport maintenance facility in Sanlitun. In March 2022, a consortium in which Swire Properties has a 70% interest successfully acquired (via a government land tender) the land use rights of a land located at the Small Wild Goose Pagoda historical and cultural zone in the Beilin district of Xi'an. The land is expected to be developed into a retail-led mixed-use development comprising retail and cultural facilities in addition to a hotel, serviced residences and business apartments.

In Hong Kong, the second phase of the Taikoo Place redevelopment will be completed later this year. The Silveri Hong Kong – MGallery, a hotel not managed by the Group at Citygate, is expected to open in phases, subject to COVID-19 conditions, this year. Swire Properties has offered 2,123 car parking spaces in the Taikoo Shing residential development in Hong Kong for sale. 1,235 of the spaces had been sold at 8th March 2022. In the USA, Swire Properties sold EAST Miami to an institutional investor in October 2021. Disposal of a site at Fort Lauderdale was completed in January 2022.

Swire Coca-Cola, which is performing strongly, continues to leverage the close alignment with The Coca-Cola Company to drive portfolio growth, particularly in the no-sugar, energy and coffee categories, while also developing new products to meet evolving consumer preferences.

For Aviation, Cathay Pacific took decisive actions during the year to create a more focused and competitive business with a lower cost base in preparation for a post-COVID-19 recovery. HAECO Xiamen started pre-construction work at the new airport. The relocation will significantly strengthen HAECO Xiamen's operations from 2026.

In February 2021, the Group made an investment in a hospital being developed in Shenzhen. In August 2021, the Group made an investment in a healthcare provider in Shanghai specialising in cardiovascular care. We are determined to build a significant healthcare business and plan to have invested at least HK$20 billion in this fast-growing sector by 2030.

In April 2021, Swire Pacific Offshore sold a 12.7% equity interest in Cadeler A/S. A further sale of 6.7% of the equity interest in Cadeler was completed in February 2022. A disposal of our 50% interest in the HUD group was completed in September 2021. In March 2022, an agreement to sell the Swire Pacific Offshore business (excluding Cadeler) was entered into. A remeasurement loss of HK$1.6 billion was recognised on reclassifying the relevant assets as held for sale.

Financial Strength

In 2021, we generated HK$15.5 billion from operations and HK$7.4 billion from disposals and we made total capital investments of HK$13.2 billion. Net debt at 31st December 2021 was HK$38.7 billion, a decrease of HK$0.2 billion from the end of 2020. Gearing ratio at the end of 2021 was 11.9%, a slight decrease as compared to 12.2% at the end of 2020. Including lease liabilities as part of net debt would increase our gearing ratio at the end of 2021 to 13.6%.

Sustainable Development and ESG

During 2021 we continued to make progress with SwireTHRIVE, our group strategy for sustainable development and to better integrate ESG initiatives across the businesses. We have set substantial targets across five priority areas: Climate, Waste, Water, People and Communities including: 50% reduction in greenhouse gas emissions by 2030, and net-zero by 2050. 65% waste diversion from landfill by 2030, and zero waste to landfill by 2050. 30% reduction in water withdrawal by 2030, and water neutrality by 2050. Our progress on these targets can be seen in the Sustainable Development Review section of our Annual Report.

We continued to invest in the training and development of our people while ensuring fair and equal opportunities for all. Our Diversity and Inclusion Steering Committee and the Swire Women's Network continue to focus on gender diversity and creating an inclusive workforce.

We conduct our operations in a manner which aims to safeguard the health, wellbeing and safety of our people, contractors, suppliers, customers and the communities in which we operate. We continuously strive to improve more and improve our health and safety performance and culture through digital innovation, impactful communication, training, learning and timely reporting.

In 2021 we enhanced our Group's risk governance framework, adopting the three lines of defence model of risk governance and strengthening the oversight on operating companies.

Recognition

In 2021, Swire Properties continued to be the only listed company from Hong Kong to be included in the Dow Jones Sustainability World Index. In 2021, Swire Pacific received a score of B for CDP Climate Change and a score of A- for CDP Water Security. Swire Coca-Cola maintained its score of A for CDP Water Security. Swire Pacific is included for the first time in the Bloomberg Gender-Equality Index.

Looking Ahead

The Property Division is optimistic about its prospects in the Chinese Mainland retail market, driven by strong local demand with steady growth in retail sales. Demand for office space in the Chinese Mainland is mixed. Rents are under pressure in Guangzhou, while office take-up is recovering in Beijing and demand in Shanghai is robust. Despite increasing competition and supply, Swire Properties' Hong Kong office portfolio remains well-placed, with high occupancy and stable demand from a range of tenants, supported by the activities in the financial markets. Recovery of the Hong Kong retail market has been impacted by the fifth wave of the pandemic but is well-positioned for the post-pandemic upturn. The outlook for Hong Kong hotels is difficult, given ongoing travel restrictions. Hotels in the Chinese Mainland and USA continue to recover. The Property Division continues to be supported by strong capital management and is focusing on its ambitious HK$100 billion investment plans to drive future growth.

At Swire Coca-Cola, revenue is expected to grow strongly in the Chinese Mainland and USA. Taiwan is expected to continue to improve, however, Hong Kong will be impacted by the fifth wave of the COVID-19 outbreak. We will continue to explore attractive investment opportunities to further strengthen the business.

There remains uncertainty on the duration and extent of the ongoing COVID-19 restrictions will have on Cathay Pacific in 2022 and its ability to operate fully. Travel is likely to remain significantly impacted, while cargo was weaker during the first few months of the year given intensifying restrictions due to the ongoing pandemic. Cathay Pacific remains firmly committed to keeping Hong Kong safely connected to the world and continues to explore all options to keep the flow of people and goods moving despite the considerable challenges.

At HAECO, base maintenance is expected to continue to recover. Demand for engine services is expected to improve gradually. Recovery in line maintenance in Hong Kong depends on lifting of travel restrictions. Profit in the USA will be lower with the absence of government subsidies and the shortage of skilled labour. HAECO will focus on increasing its exposure to the narrow-body market, along with leveraging technology and digital tools to improve operational efficiency and the customer experience.

Martin Murray
Finance Director
Hong Kong, 10th March 2022